

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

TOWNSHIP OF FREDERIC

Crawford County, Michigan

FINANCIAL STATEMENTS

June 30, 2006

TOWNSHIP OF FREDERIC

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Township of Frederic, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Frederic, Michigan, as of and for the year ended June 30, 2006, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Frederic's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amount that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Frederic, Michigan, as of June 30, 2006, or the changes in its financial position for the year then ended.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Township of Frederic. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Berthiaume & Co.

September 7, 2006

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF FREDERIC

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2006

	General Fund	Fire and Ambulance Fund	Trash Collection Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 87,022	\$ 124,758	\$ 149,221	\$ 13,172	\$ 374,173
Accounts receivable	6,648	1,396	-	-	8,044
Due from other governmental units	31,788	3,549	-	-	35,337
	<u>31,788</u>	<u>3,549</u>	<u>-</u>	<u>-</u>	<u>35,337</u>
 Total assets	<u>\$ 125,458</u>	<u>\$ 129,703</u>	<u>\$ 149,221</u>	<u>\$ 13,172</u>	<u>\$ 417,554</u>
 Liabilities and Fund Balances:					
<i>Liabilities:</i>					
Accounts payable	\$ 4,080	\$ 5,360	\$ -	\$ 1,045	\$ 10,485
Accrued expenses	3,418	413	88	242	4,161
	<u>3,418</u>	<u>413</u>	<u>88</u>	<u>242</u>	<u>4,161</u>
 Total liabilities	<u>7,498</u>	<u>5,773</u>	<u>88</u>	<u>1,287</u>	<u>14,646</u>
 <i>Fund balances:</i>					
Unreserved:					
General fund	117,960	-	-	-	117,960
Special revenue funds	-	123,930	149,133	11,885	284,948
	<u>-</u>	<u>123,930</u>	<u>149,133</u>	<u>11,885</u>	<u>284,948</u>
 Total fund balances	<u>117,960</u>	<u>123,930</u>	<u>149,133</u>	<u>11,885</u>	<u>402,908</u>
 Total liabilities and fund balances	<u>\$ 125,458</u>	<u>\$ 129,703</u>	<u>\$ 149,221</u>	<u>\$ 13,172</u>	<u>\$ 417,554</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General Fund	Fire and Ambulance Fund	Trash Collection Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 91,539	\$ 102,512	\$ -	\$ -	\$ 194,051
Licenses and permits	17	-	-	24,602	24,619
Federal grants	-	31,383	-	-	31,383
State grants	105,498	-	-	-	105,498
Contributions from other units	10,684	38,772	-	-	49,456
Charges for services	4,930	77,609	130,034	-	212,573
Interest and rents	3,656	-	-	-	3,656
Other revenue	11,814	5,752	-	717	18,283
	<u>228,138</u>	<u>256,028</u>	<u>130,034</u>	<u>25,319</u>	<u>639,519</u>
Total revenues					
Expenditures:					
<i>Current:</i>					
General government	114,153	-	-	-	114,153
Public safety	-	123,463	-	28,324	151,787
Public works	14,016	-	103,139	-	117,155
Community and economic development	19,493	-	-	-	19,493
Recreation and culture	3,867	-	-	-	3,867
Other	24,604	-	-	-	24,604
Capital outlay	11,820	58,303	-	791	70,914
Debt service					
Principal	-	34,050	-	-	34,050
Interest and fees	-	2,838	-	-	2,838
	<u>187,953</u>	<u>218,654</u>	<u>103,139</u>	<u>29,115</u>	<u>538,861</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	40,185	37,374	26,895	(3,796)	100,658
Fund balances, beginning of year	<u>77,775</u>	<u>86,556</u>	<u>122,238</u>	<u>15,681</u>	<u>302,250</u>
Fund balances, end of year	<u>\$ 117,960</u>	<u>\$ 123,930</u>	<u>\$ 149,133</u>	<u>\$ 11,885</u>	<u>\$ 402,908</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 3,409
Total assets	<u>3,409</u>
Liabilities:	
Undistributed taxes	<u>3,409</u>
Total liabilities	<u>3,409</u>
Net Assets:	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Frederic (the Township) is located in Crawford County, Michigan. The Township operates under an elected Board of Trustees and provides services to more than 1,400 residents, primarily from the operations of its General Fund and Special Revenue Funds. The Township's services include general township departments and boards, roads, fire protection and ambulance service, liquor law enforcement, trash collection and library services.

The accounting policies of the Township of Frederic conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

The Township has adopted the position of Government Accounting Standards Board Statement 14 regarding the definition of the "reporting entity". The basic criterion for including a governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability of significant influencing operations and accountability for fiscal matters.

The Township, accordingly, has no component units to report in its financial statements.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township has not presented government-wide basic financial statements, which consist of the statement of net assets and statement of activities, as required by accounting principles generally accepted in the United States of America.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Fire and Ambulance Fund – The Fire and Ambulance Fund is used to account for a tax levy used to provide fire protection and ambulance services to the residents.

Trash Collection Fund – The Trash Collection Fund is used to account for a special assessment levy used to provide trash collection to the residents.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Taxes – Township property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty before February 15. These tax bills include the Township’s own property taxes and taxes billed on behalf of the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Crawford County for collection, which advances the Township 100 percent of the delinquent taxes. .

The 2005 taxable valuation of the Township totaled \$51,535,497, on which ad valorem taxes levied consisted of .8693 mills for the Township’s operating purposes and 1.9902 mills for fire protection.

Long-term Obligations – In the fund financial statements, governmental funds do not report long-term debt and other long-term obligations as liabilities.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget by June 30 of each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$381,076 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$103,409 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the Township had no investments.

The Townships deposits are in compliance with statutory authority.

NOTE 5: LONG-TERM DEBT

The Township issues notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable - 2 Ambulances						
Maturing through 2008	2.74%	34,050	\$ 102,150	\$ (34,050)	\$ 68,100	\$ 34,050
Total long-term debt			\$ 102,150	\$ (34,050)	\$ 68,100	\$ 34,050

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Annual debt service requirements to maturity for the above notes and contractual obligations are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 34,050	\$ 1,866	\$ 35,916
2008	<u>34,050</u>	<u>933</u>	<u>34,983</u>
	<u>\$ 68,100</u>	<u>\$ 2,799</u>	<u>\$ 70,899</u>

The Township's interest expense for the year ended June 30, 2006 was \$2,838.

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance to cover any potential claims associated with these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

The Township maintains a single employer defined contribution plan for elected Township officials. The Township contributes a variable amount of covered payroll annually, based on a formula related to the level of annual compensation. Vesting is immediate and complete (100%) from the date of contribution, subject to early withdrawal fees. The Township plan invests its contributions with Manulife Financial.

As of June 30, 2006, the pension plan's membership was four employees. The total amount of covered payroll for the year ended June 30, 2006 was \$36,514. Total payroll for the same period was \$114,270. Contributions to the Township plan during the year ended June 30, 2006 was \$2,760.

Distribution will be made upon separation or any date subsequent to separation and before age 70 ½ at the request of the employee, or at age 70 1/2, whichever is later.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Post Employment Benefits:

The Township has no post employment benefits other pension plan.

NOTE 10: CONTRACTUAL AGREEMENTS

In addition to providing fire and ambulance services to its residents, the Township provides the same services to the residents of Maple Forest Township pursuant to a contractual agreement. The agreement is renewed annually. The charge for the services is based on the State Equalized Valuation of Maple Forest Township and the current fire and ambulance millage rate of the Township of Frederic. The Township received \$38,772 from Maple Forest Township for those services for the year ended June 30, 2006.

The Township has contracted for trash collection services with Waste Management. Trash collection is conducted weekly and the Township is billed approximately \$8,400 per month for route collections.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF FREDERIC

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 63,730	\$ 63,730	\$ 66,805	\$ 3,075
Licenses and permits	-	-	17	17
State grants	127,710	127,710	130,232	(2,278)
Contributions from other units	-	-	10,684	10,684
Charges for services	4,800	4,800	4,930	130
Interest and rents	7,000	7,000	3,565	(3,344)
Other revenue	1,000	1,000	11,814	10,814
Total revenues	204,240	209,040	228,138	19,098
Expenditures:				
General government	120,280	120,280	114,153	(6,127)
Public works	20,500	20,500	14,016	(6,484)
Community and economic development	28,550	28,550	19,493	(9,057)
Recreation and culture	4,000	4,000	3,867	(133)
Other	24,900	24,900	24,604	(296)
Capital outlay	7,020	11,820	11,820	-
Total expenditures	205,250	210,050	187,953	(22,097)
Excess (deficiency) of revenues over expenditures	(1,010)	(1,010)	40,185	41,195
Fund balance, beginning of year	77,775	77,775	77,775	-
Fund balance, end of year	\$ 76,765	\$ 76,765	\$ 117,960	\$ 41,195

TOWNSHIP OF FREDERIC

SPECIAL REVENUE FUND – FIRE AND AMBULANCE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 88,000	\$ 88,000	\$ 102,512	\$ 14,512
Federal grants	-	31,383	31,383	-
Contributions from other units	40,000	40,000	38,772	(1,228)
Charges for services	76,000	76,000	77,609	1,609
Other revenue	-	-	5,752	5,752
Total revenues	<u>204,000</u>	<u>235,383</u>	<u>256,028</u>	<u>20,645</u>
Expenditures:				
Public safety	125,824	125,824	123,463	(2,361)
Capital outlay	55,000	69,559	58,303	(11,256)
Debt service:				
Principal	34,050	34,050	34,050	-
Interest and charges	<u>5,950</u>	<u>5,950</u>	<u>2,838</u>	<u>(3,112)</u>
Total expenditures	<u>220,824</u>	<u>235,383</u>	<u>218,654</u>	<u>(16,729)</u>
Excess (deficiency) of revenues over expenditures	(16,824)	-	37,374	37,374
Fund balance, beginning of year	<u>86,556</u>	<u>86,556</u>	<u>86,556</u>	<u>-</u>
Fund balance, end of year	<u>\$ 69,732</u>	<u>\$ 86,556</u>	<u>\$ 123,930</u>	<u>\$ 37,374</u>

TOWNSHIP OF FREDERIC

SPECIAL REVENUE FUND – TRASH COLLECTION FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 132,432	\$ 132,432	\$ 130,034	\$ (2,398)
Total revenues	132,432	132,432	130,034	(2,398)
Expenditures:				
Public works	103,600	103,600	103,139	(461)
Total expenditures	103,600	103,600	103,139	(461)
Excess (deficiency) of revenues over expenditures	28,832	28,832	26,895	(1,937)
Fund balance, beginning of year	122,238	122,238	122,238	-
Fund balance, end of year	<u>\$ 151,070</u>	<u>\$ 151,070</u>	<u>\$ 149,133</u>	<u>\$ (1,937)</u>

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2006

Revenues:

Current taxes:

Property taxes	\$ 44,899
Penalties and interest on taxes	2,307
Administration fees	<u>19,599</u>
	<u>66,805</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>17</u>
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State grants:

State revenue sharing - sales tax	97,362
Swamp tax	24,734
Metro act	3,336
State grant - election equipment	<u>4,800</u>
	<u>130,232</u>

Contributions from other units:

Summer tax collection fees	<u>10,684</u>
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Charges for services:

Cemetery fees	2,970
Zoning permits	<u>1,960</u>
	<u>4,930</u>

Interest and rents:

Interest	<u>3,656</u>
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Other revenue:

Cemetery lots/perpetual care	1,200
Reimbursements	3,112
Insurance recovery	6,648
Other	<u>854</u>
	<u>11,814</u>

Total revenues	<u>\$ 228,138</u>
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TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2006

General Government:

Board:

Contracted services	\$ 1,980
Travel/Mileage	31
Dues and memberships	1,006
Printing and publications	525
Other	2,287
	<u>5,829</u>

Supervisor:

Personnel	10,379
Supplies	814
	<u>11,323</u>

Clerk:

Personnel	12,007
Supplies	1,205
Contracted services	2,884
Travel/Mileage	204
	<u>16,300</u>

Board of Review:

Personnel	690
Contracted services	120
Travel/Mileage	16
Printing and publications	78
	<u>904</u>

Treasurer:

Personnel	12,475
Supplies	5,083
Contracted services	5,250
Travel/Mileage	537
Other	119
	<u>23,464</u>

Assessor:

Personnel	21,848
Supplies	781
Contracted services	3,445
Travel/Mileage	600
Other	241
	<u>26,915</u>

Elections:

Supplies	75
Contracted services	831
Other	139
	<u>1,045</u>

TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2006

General Government, continued:

Buildings and Grounds:

Personnel	14,922
Supplies	2,802
Telephone	2,442
Utilities	4,034
Repairs and maintenance	3,337
Other	258
	<u>27,795</u>

Cemetery:

Utilities	135
Repairs and maintenance	248
Other	195
	<u>578</u>

Total general government	<u>114,153</u>
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Public Works:

Roads:

Repairs and maintenance	6,248
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Street Lighting:

Utilities	<u>7,768</u>
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Total public works	<u>14,016</u>
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Community and Economic Development:

Planning:

Contracted services	5,522
Other	176
	<u>5,698</u>

Zoning:

Personnel	11,721
Supplies	894
Telephone	339
Printing and publications	118
	<u>13,795</u>

Total community and economic development	<u>19,493</u>
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TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2006

Recreation and Culture:

Recreation/Parks:

Utilities	<u>142</u>
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Library:

Telephone	596
Utilities	2,799
Repairs and maintenance	304
Other	<u>26</u>
	<u>3,725</u>

Total recreation and culture	<u>3,867</u>
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Other:

Insurance and bonds	14,067
Health Insurance	1,342
Retirement	2,760
Payroll taxes	<u>6,435</u>
Total other	<u>24,604</u>

Capital Outlay:

General government	<u>11,820</u>
Total capital outlay	<u>11,820</u>

Total expenditures	<u>\$ 187,953</u>
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TOWNSHIP OF FREDERIC

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2006

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Building Fund</u>	<u>Library Fund</u>	
Assets:			
Cash and cash equivalents	\$ 12,888	\$ 284	\$ 13,172
Total assets	<u>\$ 12,888</u>	<u>\$ 284</u>	<u>\$ 13,172</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,045	\$ -	\$ 1,045
Accrued expenses	<u>242</u>	<u>-</u>	<u>242</u>
Total liabilities	<u>1,287</u>	<u>-</u>	<u>1,287</u>
Fund balances:			
Unreserved:			
Special revenue funds	<u>11,601</u>	<u>284</u>	<u>11,885</u>
Total fund balances	<u>11,601</u>	<u>284</u>	<u>11,885</u>
Total liabilities and fund balances	<u>\$ 12,888</u>	<u>\$ 284</u>	<u>\$ 13,172</u>

TOWNSHIP OF FREDERIC

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	<u>Special Revenue Funds</u>		
	<u>Building Fund</u>	<u>Library Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Licenses and permits	\$ 24,602	\$ -	\$ 24,602
Other revenue	<u>-</u>	<u>717</u>	<u>717</u>
Total revenues	<u>24,602</u>	<u>717</u>	<u>25,319</u>
Expenditures:			
Public safety	28,324	-	28,324
Capital outlay	<u>-</u>	<u>791</u>	<u>791</u>
Total expenditures	<u>28,324</u>	<u>791</u>	<u>29,115</u>
Excess (deficiency) of revenues over expenditures	(3,722)	(74)	(3,796)
Fund balance, beginning of year	<u>15,323</u>	<u>358</u>	<u>15,681</u>
Fund balance, end of year	<u>\$ 11,601</u>	<u>\$ 284</u>	<u>\$ 11,885</u>

TOWNSHIP OF FREDERIC

FIDUCIARY FUNDS – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2006

Assets

Cash and cash equivalents	\$ <u>795</u>	\$ <u>1,758,791</u>	\$ <u>1,756,177</u>	\$ <u>3,409</u>
Total assets	\$ <u>795</u>	\$ <u>1,758,791</u>	\$ <u>1,756,177</u>	\$ <u>3,409</u>

Liabilities

Undistributed tax collections	\$ <u>795</u>	\$ <u>1,758,791</u>	\$ <u>1,756,177</u>	\$ <u>3,409</u>
Total liabilities	\$ <u>795</u>	\$ <u>1,758,791</u>	\$ <u>1,756,177</u>	\$ <u>3,409</u>



September 7, 2006

To The Township Board
Township of Frederic

We have audited the financial statements of Frederic Township for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Frederic Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Frederic Township are described in Note 1 to the financial statements. We noted no transactions entered into by Frederic Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the financial statements, dated September 7, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants